

OGC Has Reviewed

CONFIDENTIAL

Approved For Release 2002/05/08 : CIA-RDP78-05747A000500050001-9

1956(cont'd)

<u>No.</u>	<u>Date</u>	<u>Subject</u>	
15	21 Sep	Medical Car for Dependents	
16	23 Nov	Obtaining U. S. Treasury Checks in Payment of Confidential Funds Obligations	
17	30 Nov	Payment of Travel Expenses for New Appointees	
18	13 Dec	KUBARK Policy Applicable to Payment of Post Differentials to Employees TDY and on Detail to Another Post	
19	Jan	Taxability of Allowance Payments to Contract Agents	
20	3 Aug	Inquiries Re: (1) Continuance of Work on Contracts Involving Lapsed Appropriations and(2) The Use of Expired Funds	
21	18 Sep	Stateside Storage of HHE for [redacted] Employees	25X1A
22	27 Aug	[redacted] Storage of HHE and Travel for Education of Dependents	
23	13 Feb	Requirements Covering Memoranda Submitted to the DD/S, DCI, or DDCI - Comptroller Instruction #19	
24	26 Oct	Travel Expenses for New Appointees	
25	30 Nov	Payment of Travel Expenses for New Appointees	

ORIGINAL CL BY 061622
 DECL REVW ON 2010
EXT BY ND 6 YRS BY Same
REASON 3 d(3)

DOC <u>1</u>	REV DATE <u>21/3/80</u>	BY <u>029725</u>
ORIG QDMP <u>30</u>	OPI <u>30</u>	TYPE <u>30</u>
ORIG CLASS <u>M</u>	PAGES <u>2</u>	REV CLASS <u>C</u>
JUST <u>22</u>	NEXT REV <u>2010</u>	AUTH: <u>HR 18-2</u>

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1956

<u>No.</u>	<u>Date</u>	<u>Subject</u>
1	6 Jan	Determination of Constructive Cost of Travel by Common Carrier
2	17 Jan	Taxability of Allowance Payments to Contract Agents
3	26 Mar	Claims
4	14 May	Accounting for Confidential Funds. <i>Not in file</i>
5	15 May	Policy for Establishing Per Diem and Mileage Allowances for Travel Within the Continental U. S.
6	11 Jun	Recording and Follow-up of Accounts due as a Result of Liquidation of Proprietary Projects
7	29 Jun	(a) Payment for Storage of Personal Effects; Personnel assigned to Non-emergency Areas (b) Payment of Dependents' Travel Expenses; Travel to U. S. for Education
8	5 Jul	Processing of Sensitive Death Claims with the Bureau of Employees' Compensation
9	26 Jul	(a) Payment for Storage of Personal Effects; Personnel assigned to Non-emergency Areas (b) Payment of Dependents' Travel Expenses; Travel to U. S. for Education
10	27 Jul	Dual-Retirement Coverage
11	2 Aug	Procedure for the Shipment of Household Goods and Personal Baggage of Agency Personnel
12	14 Aug	Social Security Coverage for Contract Employees Receiving Taxable Wages on or after 1 Jan 1955 from which no Deductions were made because the Employees were not on the Payroll when Social Security Procedures were Implemented by the Agency.
13	30 Aug	<input type="text"/> Storage of HHE and Education Travel for Dependents
14	2 Sep	(a) Payment of Storage of Personal Effects; Personnel assigned to Non-emergency Areas (b) Payment of Dependents' Travel Expenses; Travel to U. S. for Education

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LS 6-2291
7/15 56-4079

30 Nov 1956

MEMORANDUM FOR: Deputy Director (Support) :
SUBJECT: Payment of Travel Expenses for New Appointees
REFERENCE: Memo for D/Pers from General Counsel dated 26 Oct 56,
approved by ADD/S, 29 Oct 56, subject: Travel Ex-
penses for New Appointees.

1. This memorandum submits a recommendation for approval of the Deputy Director (Support). Such recommendation is contained in paragraph 4.
 2. Referenced memorandum contains an authorization for the Director of Personnel to approve the payment of travel expenses for new appointees. In collaboration with the Acting Comptroller and Office of the General Counsel, we have formulated the following standards for application of this authority, subject to an over-all limitation of \$2500 in any given case and to the availability of funds for payment by the operating office concerned:
 - a. The individual is being appointed to a position for which an increased in-hiring rate has been authorized or which meets substantially the same standards as to scarcity of qualified candidates; or,
 - b. The appointee, irrespective of the type of position to which appointed, is disqualified for continued employment within 120 days of appointment for failure to meet medical, security, or administrative standards during in-processing.
 3. In cases qualifying under paragraph 2a above, the Agency would assume the cost of travel from the appointee's place of residence to Washington, D. C. In cases qualifying under paragraph 2b above, the Agency would assume the cost of travel to and from Washington, D. C. and the appointee's place of residence. This Office will work in collaboration with the Office of General Counsel in preparing appropriate contractual agreements.

X Ref

~~This Approved~~

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Office
in
to Finance
Offer 2/19/51

25

SUBJECT: Payment of Travel Expenses for New Appointees

4. It is recommended that you approve the standards contained in paragraph 2 above to guide our action in individual cases arising before the publication of an Agency regulation on this subject.

(S) VLT
Harrison G. Reynolds
Director of Personnel

CONCURRENCES:

25X1A

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22 Nov 56

Date

Comptroller *Acting*

**

/s/ Lawrence R. Houston
General Counsel

30 Nov. 56
Date

The recommendation in paragraph 4 is approved. This policy should be administered with great care.

(S) L.H. White
Deputy Director (Support)

14 Feb 57
Date

Distribution:

C&I - D/Pers

2 - DD/S

1 - Comptroller

1 - General Counsel

1 - Stayback

25X1A
cc: [redacted] (20 Nov 56)

Re paragraph 2. b. If Security turndown is based on Communist Party membership or other subversive implications no payments would be made as a matter of law. Similarly, if the medical or administrative disqualification is due to the individual's own misconduct, I assume there would be no payment as a matter of policy. These points should be reflected in the contracts.

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INTERNATIONAL JEWISH DAILY

LS 6-1443a

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200-1956

MEMORANDUM FOR: Director of Personnel

SUBJECT : Travel Expenses for New Appointees

REFERENCES : (1) Memorandum to Deputy Director (Support) from Director of Personnel dated 29 May 1956, Subject - Revised Procedure in Processing Clerical Applicants
(2) Memorandum to Deputy Director (Support) from General Counsel dated 29 August 1956, same subject
(3) Memorandum to General Counsel from [redacted] dated 29 August 1956, Subject - Invitations to Travel
(4) Memorandum to General Counsel from Director of Personnel dated 26 September 1956, Subject - Travel Expenses for New Appointees

STATINTL

DGS 3 REV DATE 2/1/3 P00 029725
SING 36 ORI .38 TYPE 02
NAME CLASS 2 NEW CLASS U
JSTY - NEXT REV - AUTH: MR. HU

1. It is the opinion of this office that the Agency may legally assume the travel expenses of new appointees, from their homes to first post of duty in the continental United States, under the following circumstances:

- a. If they are appointed to excepted positions (all positions in the Agency are excepted).
 - b. If a regulation is promulgated providing that such travel expenses are a part of the individual's compensation, and if other regulations relating to compensation are amended accordingly.

2. As an interim measure, pending promulgation of a regulation, the approval of this memorandum by the Deputy Director (Support) will constitute authority for the Director of Personnel to enter into contractual agreements with appointees to accomplish the same purpose and, in the event of their separation from the Agency for reasons beyond their control within 120 days from their entrance on duty, to pay their travel expenses back to their homes. This delegation of authority is based upon the waiver of existing regulations respecting compensation under the authority given the Deputy Director (Support) by Regulation [REDACTED] the total travel STATINTL expenses assumed in any case may not exceed \$2,500.

3. "Travel expenses" include the cost of transportation for the appointee and his dependents, per diem in lieu of subsistence for the appointee, and the transportation of household effects; the rates of

CIA INTERNAL USE ONLY

reimbursement should be the same as those used when a Government employee is transferred within the continental United States.

4. This office would be happy to assist further in any aspect of this matter.

SI

LAWRENCE R. HOUSTON
General Counsel

APPROVED:

(signed) H. Gates Lloyd

OCT 29 1962

H. Gates Lloyd
Assistant Acting Deputy Director (Support)

WPA 5 11 00 38.28
LAWRENCE R. HOUSTON

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13 February 1956

BUDGET	-	19
FINANCE	-	25
FISCAL	-	24
MRD	-	12
PAS	-	21
TAS	-	24 25

COMPTROLLER INSTRUCTION NO. 19

SUBJECT: Requirements Covering Memoranda Submitted to the DD/S,
DCI, or DDCI

REFERENCE: Memorandum from Acting Comptroller to Chiefs of Staffs and
Divisions dated 29 December 1955 - Subject: Submission of
Approvals by DD/S, DCI, or DDCI - N. II - 1955

Hand

1. PURPOSE

The purpose of this instruction is to set forth the requirements covering memoranda to be submitted to the DD/S, DCI, or DDCI which will permit more expeditious handling and action.

2. PROCEDURE

a. All memoranda for submission to the DD/S, DCI, or DDCI shall open with a sentence similar to one of the three below:

- (1) "This memorandum is for information only, particular reference is made to paragraphs ___, ___, ___."
- (2) "This memorandum suggests action on the part of the DD/S (DCI or DDCI). Such requested action is contained in paragraph ____."
- (3) "This memorandum contains a recommendation submitted for DD/S (DCI or DDCI) approval. Such recommendation is contained in paragraph ____."

b. All memoranda submitted for DD/S, DCI, or DDCI action requiring signature denoting approval shall contain:

- (1) In the final paragraph a recommendation which clearly briefs the action recommended.
- (2) In the place provided for signature, the words; "The recommendation(s) in paragraph ___ is (are) approved."

DOC	4	REV DATE	21/3/80	BY	
ORIG OOMP	09	OPI	38	TYPE	11
ORIG CLASS	5	PAGES	2	REV CLASS	C
JUST	22	NEXT REV	2010	AUTH	HR 10-2

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- c. All memoranda submitted for DD/S signature shall show on the same sheet provided for the DD/S signature the concurrence of the office or staff concerned.
 - d. All memoranda submitted for DCI (DDCI) signature shall show on the same sheet provided for the DCI (DDCI) signature the concurrence of the Deputy concerned; and appropriate subordinate officers. This requirement does not, of course, apply to memoranda or letters prepared for DD/S (DCI or DDCI) signature for transmittal outside of the Agency. In this latter case, the concurrence shall be indicated on a carbon copy.
3. This instruction supersedes the instructions contained in the referenced memorandum.

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Deputy Comptroller

John J. Shanahan (DD/S)

Aug. 2/78

J.D/S

1. Compt.

* 2. D/FD chrono (withheld)

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SUBJECT: [redacted] Storage of Household Effects and Travel for
Education of Dependents

CONCUR:

/s/

H. Gates Lloyd
Acting Deputy Director (Support)

27 August 1956

Date

APPROVED EFFECTIVE 1 SEPTEMBER 1956:

/s/

C. P. Cabell
Acting Director of Central Intelligence

29 August 1956

Date

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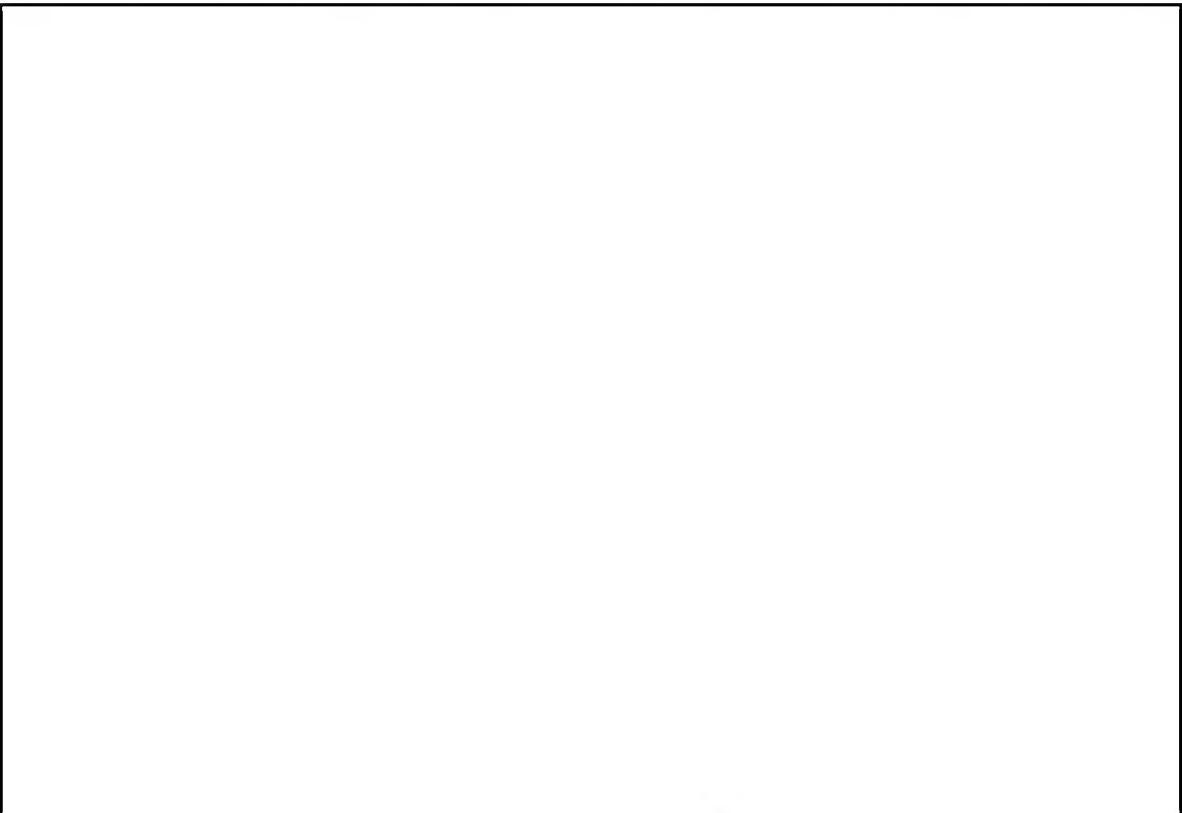
TO : Chief, Procurement Division

SUBJECT: Inquiries Re: (1) Continuance of Work on Contracts
Involving Lapsed Appropriations and (2) The Use
of Expired Funds

1. You have recently inquired whether it is possible for our contractors to continue working beyond 30 June 1956 on a Fiscal Year 1954 contract and for us to continue to pay for this work from Fiscal Year 1954 funds. The following information is presented in response to this inquiry:

a. In the case of vouchered funds, any payment made after 30 June 1956 must be made by the Comptroller General if Fiscal Year 1954 funds are to be used. The Comptroller General may pay for (a) work performed prior to 30 June 1956 but remaining unbilled or unpaid for on 30 June 1956, and (b) work performed after 30 June 1956 so long as the original scope of the work remains unchanged and the dollars originally obligated are not exceeded.

FOIAb5



DOC	7	REV DATE	21/3/80	BY	029725
ORIG COMP	38	OP!	38	TYPE	02
ORIG CLASS	5	PAGES	2	REV CLASS	C
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~~SECRET~~**CONFIDENTIAL** Policy 2.0

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d. In summary, payments to contractors under contracts obligated against 1954 (or any other lapsed year) funds, whether vouchered or Confidential Funds are used, may be made:

- (1) For work performed prior to the close of the fiscal year involved; or
- (2) For work performed after 30 June provided the work was covered by the original scope of the contract and payment for the work will not result in payments in excess of the amount originally obligated under the contract.

The only difference between vouchered and Confidential Funds insofar as the above payments are concerned is that settlement by the Comptroller General in the case of vouchered funds is made from appropriations no longer available to the Agency, i.e., 1954, whereas in the case of Confidential Funds settlement within the Agency requires that payment be charged to currently available funds. Normally such charges are made against the oldest available funds, i.e., in this case 1955.

2. You have also inquired whether it is possible to obligate expired funds (for example the current obligation of 1955 fiscal year funds) to pay for the work done as a result of adding to the scope of work to be performed on a contract placed during the Fiscal Year 1954.

The law and CIA regulations provide that funds appropriated for any particular fiscal year must be obligated within that fiscal year or the unobligated portion will expire. Therefore, at the present time no further obligations may be incurred using 1955 fiscal year money.

3. The extending of the time of performance of a contract placed in the Fiscal Year 1954 has no effect on the amount of the obligations. Such extensions, if approved by the contracting officer, are acceptable and payments under extended contracts are made under the above policies regarding availability of funds.

CONCURRENCE:

Comptroller Acting

Aug 1955

AMERICAN AIRLINES INC.

General Counsel

Chief, Finance Division

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FD/ICAB/HM:emc (5/21/56)
Retyped:
BD/COMP/CNM/har (26 July 1956)

Distribution:

Orig. & 1 - Addressee
 1 - Signer
1 - Comptroller
1 - Gen. Counsel
1 - Budget Division

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~~C O P Y~~

LS 6-2726

23 December 1955

MEMORANDUM FOR: Director of Personnel

ATTENTION: SCAPS

SUBJECT: Grant of Allowances to Independent Contractors

1. For some time there has been consideration of various questions relating to the granting of allowances to contract agents and other independent contractor types. Involved are the various allowances including cost-of-living, quarters, education, and in some cases post differentials. Also involved has been the question of the propriety of exclusions of certain of these allowances for gross exceptions for Federal income tax purposes.

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4. The basic legal concept of an independent contractor is that under only a very general stipulation as to the nature in which he will perform his services he is paid a fee for these services. The fee is determined on the basis of negotiation considering uniqueness of his service, the need for his service, and many other factors. It is true that a person who has been engaged as a contract agent could, over a period of time, in fact become an employee. If this change in fact has occurred, it would be appropriate that the type of contract also be changed to reflect the new status. As a general rule, the current contract should be the controlling factor and unless controverted by the facts, the presumption would be against a change in status and the factual inconsistencies must be overwhelming.

5. Viewing the independent contractor in this general light it seems clear that in concept he cannot be the recipient of a grant of allowances which are authorized to be paid only to employees. It is true of course that his fee could be increased to cover these circumstances which normally are the occasion for such grants. However, the increase in his fee is just that. The additional compensation is merely measured by the guide lines established for cost-of-living or quarters allowances. It is not a true allowance and it is suggested that both contract terminology and regulatory terminology be changed to avoid the misconception that the additional amounts paid to independent contractors are in fact and nature similar to allowances granted to employees. Such amounts might well be called "overseas adjustments."

a. The proposed Regulation [] relating to education allowances provides in paragraph 1000 that independent contractors will not normally receive education allowances but as necessary such allowances could be granted at a condition of bargaining if his services are essential. We believe that this statement as worded is legally objectionable. The wording more properly should be that an adjustment to his basic compensation will be made or can be made not to exceed the amount authorized for educational allowances to employees. Such additional amounts as are received by the contract agents would be additional compensation.

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6. There should now be considered the income tax aspects of this subject. Section 912(1) of the Internal Revenue Code of 1954 provides that the following items shall not be included in gross income and shall be exempt from taxation.

"(1) Cost-of-living Allowances.--In the case of civilian officers or employees of the Government of the United States stationed outside continental United States, amounts received as cost-of-living allowances in accordance with regulations approved by the President."

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a. Internal Revenue has considered the question of whether quarters allowances properly may be considered a cost-of-living allowance for purposes of tax exemption. In an unpublished opinion, Internal Revenue has ruled that the terms "cost-of-living" is construed to include living quarters allowances,, thus, the following specific types of allowances granted to employees ~~which~~ are exempt from Federal income taxation: (1) quarters allowances, (2) temporary lodging allowances, (3) cost-of-living allowances, (4) transfer allowances, (5) separation allowances, (6) representation allowances, and (7) education allowances. Neither foreign post differentials nor territorial post differentials are exempt from taxation. They are considered by Internal Revenue in the absence of any statutory exemptions as taxable in the same manner as other earned income.

b. Internal Revenue Service, in view of the use of the words officer and employee both in the cited statutory exemption and in the basic authorization, has indicated that the exemption can only be utilized by officers and employees. With respect to contract agents, therefore, and any other independent contractor types, payments of additional amounts which purport to be allowances of the type granted to employees are subject to Federal income taxation in the same manner as the basic compensation under the contract. It is possible, as indicated above, that certain persons who are presently included in the contract agent category or in some independent contractor type category are in fact employees and should be so considered. If it is so determined then, of course, they would be entitled to claim the exemption from taxation of any amounts received as cost-of-living allowances.

c. There should be considered in this connection the status of equalization allowances under existing regulations. From a tax standpoint as to independent contractor types there exists no basis in law for considering such allowances as exempt from Federal income taxation (equalization allowances are similar in nature to cost-of-living allowances). Consequently, as discussed above, it is inappropriate as a matter of concept to consider amounts paid to independent contractors in the same sense as equalization allowances paid to staff agents and other employee categories.

d. An additional question would be raised in the event the Agency determines that in lieu of what is now known as a quarters allowance an independent contractor type should be furnished, at Government expense, appropriate living quarters. While section 119 of the Internal Revenue Code of 1954 provides for exclusion from gross income of the value of lodging furnished to an employee for the convenience of the employer again the exemption runs only in the case of an employee. Consequently, in an independent contractor situation the value of living quarters received would

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[REDACTED]

be taxable to the same extent as the basic remuneration payable. It is possible that distinctions could be drawn in certain circumstances where the independent contractor is required by the Agency to live in far more ostentatious quarters than he would normally utilize in accordance with his particular station in life. However, such cases could only be decided by the particular circumstances involved.

7. It is realized that the application of the law as indicated above will cause some difficulties with respect to many individuals who were unaware of their income tax liabilities. However, the mandate of the law is clear and the Agency has a responsibility to the individuals concerned and particularly it has a responsibility to the Internal Revenue Service. Internal Revenue must rely on the Agency's statement of the amount of ~~income~~ ^{taxable} income received by personnel associated with the Agency. Therefore, we must in good faith report where necessary in accordance with established procedures or advise the individuals the proper taxable compensation in each case. In view of possible complications, it is suggested that your office arrange with the other interested components of the Agency a program to carry out in orderly fashion any necessary changes. This Office will be ~~most~~ pleased to assist in whatever way possible.

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[REDACTED]
Acting General Counsel

cc: Finance
SSA/DDS

[REDACTED]

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25-6-2291

Approved For Release 2002/05/08 : CIA-RDP78-05747A000500050001-9 56-4874

4-3742

30 Nov 56

SP

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Payment of Travel Expenses for New Appointees

REFERENCE: Memo for D/Pers from General Counsel dated 26 Oct 56,
approved by ADP/S, 29 Oct 56, subject: Travel Expenses for New Appointees.

1. This memorandum submits a recommendation for approval of the Deputy Director (Support). Such recommendation is contained in paragraph 4.

2. Referenced memorandum contains an authorization for the Director of Personnel to approve the payment of travel expenses for new appointees. In collaboration with the Acting Comptroller and [redacted] Office of the General Counsel, we have formulated the following standards for application of this authority, subject to an over-all limitation of \$2500 in any given case and to the availability of funds for payment by the operating office concerned:

a. The individual is being appointed to a position for which an increased in-hiring rate has been authorized or which meets substantially the same standards as to scarcity of qualified candidates; or,

b. The appointee, irrespective of the type of position to which appointed, is disqualified for continued employment within 120 days of appointment for failure to meet medical, security, or administrative standards during in-processing.

c. In cases qualifying under paragraph 2a above, the Agency would assume the cost of travel from the appointee's place of residence to Washington, D. C. In cases qualifying under paragraph 2b above, the Agency would assume the cost of travel to and from Washington, D. C. and the appointee's place of residence. This Office will work in collaboration with the Office of General Counsel in preparing appropriate contractual agreements.

X Ref
Travel 6

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DOC	10	REV DATE	24/3/80	BY	029725
ORG COMP	32	OPI	38	TYPE	02
ORIG CLASS	C	PAGES	2	REV CLASS	C
JUST	22	NEXT REV 20/10 AUTH: HR-10-2			

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SUBJECT: Payment of Travel Expenses for New Appointees

b. It is recommended that you approve the standards contained in paragraph 2 above to guide you in individual cases arising before the publication of an Agency regulation on this subject.

for 1st V.R.T.
Harrison C. Reynolds
Director of Personnel

COMMITTEE:



Comptroller - Acting

27 Nov 56
Date

**

/s/ Lawrence R. Houston
General Counsel

30 Nov. 56
Date

The recommendation in paragraph A is approved. This policy should be administered with great care.

1st L.K. White

Deputy Director (Support)

14 Feb 57
Date

Distributions

061 - D/Pers
 2 - DD/A
 1 - Comptroller
 1 - General Counsel
 1 - Stayback

OF [Redacted] (20 Nov 56)

Re paragraph 2. b. If Security turndown is based on Communist Party membership or other subversive implications no payments would be made as a matter of law. Similarly, if the medical or administrative disqualification is due to the individual's own misconduct, I assume there would be no payment as a matter of policy. These points should be reflected in the contracts.

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UNCLASSIFIED CIA INTERNAL
USE ONLY CONFIDENTIAL SECRETApproved For Release 2002/05/08 : CIA-RDP78-05747A000500050001-9
ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Obtaining U. S. Treasury Checks in Payment
of Confidential Funds Obligations

STAT OTHR

FROM:

Finance Division
Room 2000, I Bldg.

NO.

DATE

CAGE

TO: (Officer designation, room number, and
building)

DATE

REC'D FWD'D

OFFICER'S
INITIALSCOMMENTS (Number each comment to show from whom
to whom. Draw a line across column after each comment.)1. Cover Division
1708 L Bldg.

23 Oct. MSM.

1. This is a good decision
with [redacted] by phone -
I'll be glad to discuss -
Also, please return for
dict or dict later to
discuss with Security before
their review for coordination -
JGB

2. Office of Security
2060 I Bldg.

10/31 0005

3. Office of General Counsel
245 Curie Hall

11/2

4. Acting Comptroller
1039 Alcott Hall

1 to 4: an excellent step forward
from point of view of Cover.

5. DD/S

11/27

2 to 4 - It is noted that
a copy was not prepared
for document. Request that
a copy be forwarded
after coordination

6.

7.

8.

9.

10.

11.

12.

13.

14.

15.

3 to 5 [redacted]
concerned as to legality
and added comments
that security should be
emphasized and that
while the new procedure
would be suited for aqua-
tone needs it would not
affect other aquafone
authorizations and
exemptions. Tab B satisfies
these comments [redacted]

25X1A

TAB
A

25X1A

25X1A

FORM 610 USE PREVIOUS
1 DEC 55 EDITIONS SECRET CONFIDENTIAL CIA INTERNAL
USE ONLY UNCLASSIFIED

16

Approved For Release 2002/05/08 : CIA-RDP78-05747A000500050001-9

UNCLASSIFIED CIA INTERNAL~~CONFIDENTIAL~~REF ID: A000500050001-9
~~SECRET~~

Approved For Release 2002/05/08 : CIA-RDP78-05747A000500050001-9

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Obtaining U. S. Treasury Checks in Payment
of Confidential Funds Obligations

STATOTHR

FROM:

Finance Division
Room 2000, I Bldg.

NO.

cage

TO: (Officer designation, room number, and
building)

DATE

REC'D

FWD'D

OFFICER'S
INITIALSCOMMENTS (Number each comment to show from whom
to whom. Draw a line across column after each comment.)1. Cover Division
1708 L Bldg.

23 Oct. 1978

2. Office of Security
2060 I Bldg.

10/31/78

3. Office of General Counsel
245 Curie Hall

11/2

4. Acting Comptroller
1039 Alcott Hall

5. DD/S

11/27

1. This is paper & desired
with [redacted] by phone.
All is glad to discuss -
also, please return for
dict at 1st letter to
discuss with Security before
their review for coordination.
JGB

1 to 4: an excellent step forward
from point of view of Cover.

2 to 4 - It is noted that
a copy was not prepared
for Security. Request that
a copy be forwarded
after coordination.

3 to 5 [redacted]
concurred as to legality
and added comments
that security should be
emphasized and that
while the new procedure
would be suited for Aquatone
needs it would not
affect other Aquatone
authorizations and
exemptions. Tab B satisfies
these requirements.

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Approved For Release 2002/05/08 : CIA-RDP78-05747A000500050001-9

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23 October 1956

TO : Acting Comptroller

FROM : Chief, Finance Division

SUBJECT: Obtaining U. S. Treasury Checks in Payment of Confidential Funds Obligations

1. PROBLEM:

Security and cover considerations often require that Confidential Funds obligations be paid by Treasury Check. Present procedures for obtaining such checks do not afford maximum available security and place an administrative burden on the Director in that many individual vouchers require his certification. Also, security and cover would be strengthened by payment of salaries and allowances due employees under official cover by Treasury check rather than commercial type checks.

2. DISCUSSION:

- a. Under present procedures, U. S. Treasury checks in payment of Confidential Funds obligations are obtained through the Fiscal Division on the basis of certification by the Director, usually on an individual voucher basis.
- b. Although the process avoids the necessity for furnishing Fiscal Division with detail to support Schedules of Disbursement, the records of Fiscal Division necessarily reflect the true identities of payees, amounts and patterns of payments, and in some instances reference cryptonyms of projects. These records are subject to the same scrutiny and examination by the on-site GAO auditors as any other vouchered funds transaction. This is considered objectional from a security viewpoint.
- 3. In addition to the compromise with the security procedures normally accorded Confidential Funds transactions inherent in the present procedure, the necessity for frequent and special certifications by the Director imposes an administrative burden which is considered unnecessary to the discharge of his responsibilities for use of Confidential Funds.
- 4. In certain isolated instances the necessity for the Director to certify individual disbursements has been avoided through the expediency of obtaining a special blanket certification to cover anticipated expenditures for given projects. While this procedure serves the purpose of relieving the Director of some detail in these cases, it is not considered desirable as a general solution to the administrative problem.

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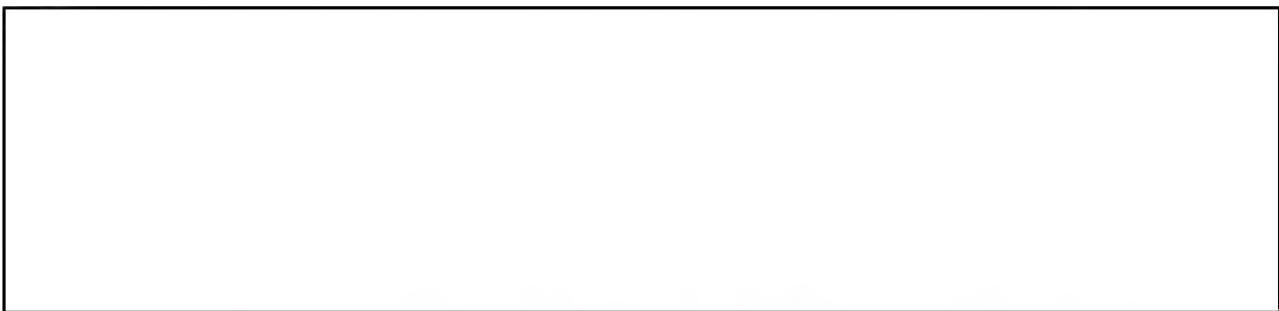
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5. As is evident from the above, the primary security hazard in the present procedure arises from the fact that transactions must be processed through Fiscal Division and thus must be recorded for review and examination by the on-site GAO auditors. This hazard would be avoided if Finance Division were authorized to certify disbursements directly to the [redacted] and to obtain Treasury checks without processing by Fiscal Division. Such procedure would require development of appropriate accounting processes whereby funds obtained from Treasury by Finance Division would be reflected through reciprocal accounts on the records FOIAb5 of Fiscal Division.



7. Investigation of Treasury Department processes for receiving and reconciling paid checks reveals that, due to the recent adoption of certain electronic equipment, checks issued against individual Disbursing Officer accounts are no longer collated by Agency or Disbursing Officer account. Checks are stored as received with no record made of payees. All reconciliation processes are by check number, amount and Disbursing Officer account. Since each Disbursing Officer account reflects payments on behalf of several agencies, activity in the account is not indicative of the scope of operations of any single agency. The Treasury Department maintains no record of payees of checks and relies on the office issuing the check (in our case - Agency Branch of Disbursing Office) to identify payees and document the fact that a specific check was issued.
8. The Branch of the Treasury Disbursing Office located in the Agency issues checks on the basis of certified Schedules of Disbursement or payrolls. Upon release of the checks, the payrolls are returned to Fiscal Division. A copy of the Schedule of Disbursement is retained for three years and then destroyed. The report of checks issued maintained by the unit reflects only numbers and amounts of checks issued. The only record of checks drawn maintained by the Treasury Disbursing Branch consists of a microfilm copy of each check. This film is retained by the unit and is not made available to the Treasury Department. The on-site GAO auditors do not examine the activities of the Treasury Disbursing Branch located in CIA.
9. The only records available to the Branch of the Treasury Disbursing Office after issuance of checks which identify payees are the copies of Schedules of Disbursement and the microfilm of the checks. It has been indicated

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that the copy of the Schedule of Disbursement need not be retained by that office and would be returned to Finance Division on request. Presently there is no provision for the disposition of the microfilm. The possibility of the Branch releasing the films on checks obtained for Finance Division for custody by Finance Division is under exploration at the present time. In the meantime, retention by the Disbursing Branch of the films of checks representing disbursements other than payroll transactions does not appear to constitute a material security hazard since the volume of such checks is insignificant in relation to total checks issued.

10. CONCLUSIONS:

Based on the above, it is concluded that:

- a. Maximum desirable security in the use of Treasury checks in payment of Confidential Funds obligations is not presently being attained.
- b. The necessity for individual certifications by the Director in order to obtain Treasury checks imposes an administrative burden which should be alleviated or avoided.
- c. Normal Treasury Disbursing check reconciling processes will afford the desirable degree of security if arrangements are effected whereby Finance Division is authorized to certify and obtain checks in payment of Confidential Funds obligations direct from the Treasury Disbursing Branch.
- d. Adjustments of accounting procedures and periodic summarization of Confidential Funds expenditures for certification by the Director will relieve the Director of considerable administrative detail.

11. RECOMMENDATIONS:

It is recommended that:

- a. Appropriate Certifying authority be granted to Finance Division to permit certification of Schedules of Disbursements to Treasury Department for issuance of Treasury checks in payment of Confidential Funds obligations.
- b. Appropriate accounting procedures be developed by Technical Accounting Staff whereby charges to appropriations for funds obtained from Treasury by Finance Division may be transferred to Fiscal Division, and that the accounting procedure include provision for control and identification of Confidential Funds expenditures requiring certification by the Director.

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- d. The above procedures be initiated immediately with respect to Confidential Funds expenditures for projects where Treasury checks have heretofore been obtained on the basis of individual certification and that the use of Treasury checks in payment of Confidential Funds obligations be expanded to include payment of salaries, travel expenses, etc., of staff employees under official cover as appropriate procedures can be developed and approved in coordination with the Office of Security and Cover Division.
- e. The attached memorandum be forwarded to the Director, Central Intelligence Agency for his review and approval of the changes in procedure recommended herein.

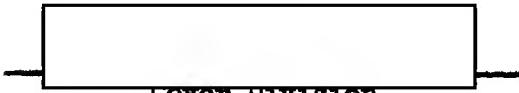


I. E. BUSH

Attachment - Memo to DCI

CONCURRENCES:

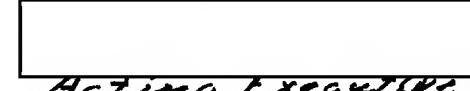
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COVER DIVISION

23 October 1956
(Date)

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Acting Executive Officer
Office of Security

31 October 1956
(Date)

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OFFICE OF GENERAL COUNSEL

* See attached memo. RTR

8 Nov - 1956
(Date)

APPROVED:

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MOVING COMPUTER

15 Nov - 56
(Date)

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27 September 1956

MEMORANDUM FOR: Acting Director of Central Intelligence

SUBJECT: Medical Care for Dependents

1. This memorandum contains a recommendation in paragraph 3 for approval by the Acting Director of Central Intelligence.
 2. One of the benefits we sought in our legislation last year was medical benefits for dependents of employees overseas. While our legislation was not passed, similar legislation was passed for the Department of State and they now have a system of medical benefits for dependents.
 3. I recommend that you approve adopting the benefits granted to the Department of State for all CIA personnel stationed overseas. I have discussed this with the General Counsel to the Comptroller General, who has no objection provided we pursue our request for legislation on this matter. We also agreed that all payments, even in the case of reenlisted personnel, would be paid out of confidential funds.

/s/ Lawrence R. Houston

LAWRENCE B. HOUSTON
General Counsel

CONCUR 21 September 1956

/s/ H. Gates Lloyd

H. GATES LLOYD
Acting Deputy Director
(Supervision)

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Approved For Release 2002/03

The recommendation in paragraph 3
is approved.

2095

/s/ C. P. Cabell
C. P. CABELL B57 1 S.C.
Lieutenant General, USAF 21 Sept
Acting Director

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